

**Minutes  
of the  
Special Meeting  
of the  
New Mexico Finance Authority Oversight Committee  
Las Cruces, New Mexico  
April 14, 2004**

The special meeting of the New Mexico finance authority (NMFA) oversight committee was called to order at 1:35 p.m. on April 14, 2004 by Representative Daniel P. Silva, chairman, at the farm and ranch heritage museum in Las Cruces. The committee operated as a subcommittee.

***Present were:***

Rep. Daniel P. Silva, chairman  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Sen. Mary Kay Papen  
Rep. Henry Kiki Saavedra  
Rep. Sheryl Williams Stapleton

***Absent were:***

Sen. Pete Campos, vice chairman  
Sen. Manny M. Aragon  
Rep. Donald E. Bratton  
Sen. Don Kidd  
Rep. Brian K. Moore  
Rep. Earlene Roberts  
Sen. Shannon Robinson  
Sen. Nancy Rodriguez  
Rep. Raymond M. Ruiz  
Sen. H. Diane Snyder  
Rep. Don Tripp

***Advisory members:***

Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Sen. Leonard Lee Rawson  
Rep. Edward C. Sandoval  
Rep. James G. Taylor  
Rep. Luciano "Lucky" Varela  
Rep. Robert White

Rep. Jose A. Campos  
Rep. Anna M. Crook  
Sen. Dianna J. Duran  
Sen. Joseph A. Fidel  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Rep. Ben Lujan  
Sen. Richard M. Romero  
Sen. Bernadette M. Sanchez

***Staff:***

Jonelle Maison  
Chase Van Gorder

***Guests:*** The guest list is in the meeting file.

***Bond Issuance for Transportation Projects Report — David Harris and Carlos Romero, NMFA; George Williford and Douglas Hartman, First Southwest Company; and Tom Church, Robert Ortiz, Andres Aragon Viamonte, Vince Martinez, Rey Romero and Larry Velasquez, NMDOT***

Mr. Harris and others presented written testimony on the planned bonding program for transportation projects around the state and a status report on GRIP, which stands for Governor Richardson's investment partnership. (Handouts are in the meeting file.)

The legislature passed House Taxation and Revenue Committee Substitute for House Bill 15 in the 2003 special session. That bill increased state road fund revenue by approximately \$60 million per year to fund 47 high-priority transportation projects through bonding and pay-as-you-go. Per the bill, the state may borrow a total of \$1.585 billion in \$350 million annual increments to fund the projects. The 2004 bond issue, a combination of 2003 and 2004 authorizations, will be for \$700 million. The bill also authorized NMFA to issue the transportation bonds and provide debt management for the department of transportation (NMDOT). The legislature authorized the use of a wide range of debt structuring options to take advantage of economic and market conditions.

Revenue to pay for the GRIP program will come from increasing the weight distance tax on heavy trucks from one-third cent to a maximum of one and one-half cents per mile; increasing diesel fuel tax by three cents per gallon; increasing the average vehicle registration fee by \$12.50 per year; and increasing overweight fees on trucks. New Mexico's transportation bond ratings are among the highest in the nation, and the presentation to the bond rating agencies for the 2004 issue relied on conservative estimates of combined state and federal revenues to argue for the fiscal stability of the new program. The financing package was put together within the following state-imposed constraints: (1) no more than \$350 million will be authorized annually; (2) the program will be funded over a seven-year period; (3) only \$40 million of the estimated \$60 million in new revenue was used to calculate debt service payments, but the entire \$60 million is available as security; and (4) debt service cannot exceed the existing maximum annual debt service (\$122 million) plus an additional \$40 million, which makes a total debt service target of no more than \$162 million annually. The program will take advantage of interest rate swap structures, fixed and variable rates of financing and the refinancing of existing debt. The coverage calculation is quite strong, with approximately two and one-half times coverage using only state-generated funds and over four times coverage using all pledged revenues.

NMFA will provide debt portfolio management services to the state transportation commission and NMDOT, including debt service administration; accounting and financial reporting; arbitrage compliance, reporting and payments; investment services; and staffing required to administer the administration program. NMFA will be paid 25 basis points on the \$700 million issue, which is approximately \$17 million.

★ On questions from the committee, Mr. Harris said that this report was preliminary, and NMFA would need to give a full report to the committee after the bonds are issued in May.

The GRIP status report by NMDOT included the timetable for design and construction of the projects authorized in HTRC/HB 15. The department assured the committee that the department will complete the listed projects without requesting additional resources from the legislature.

***Water Trust Board Project Report — David Harris and Carlos Romero, NMFA***

Mr. Harris presented written testimony on the STB set-aside program (copy in meeting file). In 2003, the legislature passed a law to set aside 10 percent of severance tax bonding capacity for water projects authorized by the legislature. For 2004, \$12.5 million is available but the authorizing legislation failed to pass the senate. Mr. Harris reported that the attorney general's office had opined that absent a new authorization, the water trust board could continue to fund the water projects authorized in 2003. In light of its discussions with the attorney general's office, the water trust board has approved a little over \$12.5 million for regional water projects and watershed restoration and management projects that it had partially funded in 2003. Approved projects are for Gallup, Santa Fe, Espanola, Taos and Bloomfield, and Ute Creek, Claunh Pinto and San Francisco soil and water conservation districts (SWCDs). Several audience members supported the water trust board's action. Speakers were: Alicia Fitzgerald, Ute Creek SWCD; Bob Campbell, Bloomfield; Diedre Todd, Claunh Pinto SWCD; and Mary Campbell and Tuda Libby Crews, Ute Creek SWCD.

Although the committee did not have the quorum necessary to pass a motion, and any opinions expressed by members or the committee are not binding on the legislature, individual legislators expressed their support of the action taken by the water trust board. Senator Rawson, however, objected to the board's actions, noting that the law is specific in the requirement that projects be expressly authorized by the legislature. He further noted that by relying on a prior authorization in the face of the legislature's failure to pass a new bill, the board, and the legislators who concur with the action, are setting a dangerous precedent for the usurpation of legislative authority.

The members who expressed support were: Representatives Garcia, Irwin, Silva, Saavedra, Sandoval and Taylor and Senators Papen and Harden; opposed was Senator Rawson.

There being no further business, the committee adjourned at 4:35 p.m.